



EMALAHLENI MUNICIPALITY

DRAFT

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2012/2013 TO 2014/2015

Part 1 – Annual Budget

1.1 Mayor's Report

Will be inserted with adoption of final budget

1.2 Draft Council Resolutions

(The following resolutions must be taken at the final budget approval. It is listed here as required by the Regulations)

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Emalahleni Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Emalahleni Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2012:
 - 2.1. the tariffs for property rates which are increasing on average by 5.4 % (percent);
 - 2.2. the tariffs for electricity which on average are increasing by 11,03 percent;
 - 2.3. the tariffs for the supply of water on behalf of Chris Hani District Municipality by 6 %;
 - 2.4. the tariffs for sanitation services on behalf of Chris Hani District Municipality by 6%; and
 - 2.5. the tariffs for solid waste services which are increasing on average by 5.4 % (percent).
3. The Council of Emalahleni Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2012 the tariffs for other services, which are increasing on average by 5.4 percent, as set out in the attached budget documentation as **Annexure 1**.

4. To give proper effect to the municipality's annual budget, the Council of Emalahleni Municipality approves:

- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. In addition, the municipality during January 2012 proactively embarked on a strategic long-term financial sustainability exercise in order to ensure that this budget, as well as future budgets, are compiled to ensure that services to the community remains at high levels without overburdening the consumers of municipal services with excessive tariffs.

The main items identified by the strategic planning exercise can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

For each of these risk areas the municipality is compiling business plans in order to prioritise expenditure according to the risk ratings. These business plans will all be implemented over the MTREF period according to available funding, however, in the 2012/2013 financial year limited provision was made for the implementation of the business plans.

The Municipality has also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality, however, acknowledges that there can never be too much information and involvement in its interaction with the public at large, and for that reason it is still identified as a major risk area.

National Treasury's MFMA Circulars No. 58 and 59 as well as the Strategic Workshops and IDP consultation processes, were mainly used to guide the compilation of the 2012/13 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The ongoing difficulties in the national and local economy;
- Aging roads and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Similarly the effect of the water tariffs, as determined by the Chris Hani District Municipality, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in a healthy financial position, however, it needs to at least stabilise and further strive to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality. The municipality is striving to establishing a Capital Replacing Reserve to fund future capital projects to help mitigate the over dependence on grants for funding capital projects.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full.;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Description		2012/13 Medium Term Revenue &		
R thousands	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Revenue	108 357	120 508	126 030	140 263
Total Expenditure	108 255	120 504	122 602	134 340
Surplus/(Deficit)	101	4	3 428	5 923
Capital Expendiure	1 521	23 950	24 836	26 057

Total operating revenue has increased by 11.2 per cent for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 4.5 and 11.2 per cent respectively. The main reason for the increase in revenue is a increase in operational grants.

Total operating expenditure for the 2012/13 financial year has been appropriated at R120 504 million and translates into a budgeted surplus of R4000 before capital transfers. When compared to the 2011/12 Adjustments Budget, operational expenditure has increased by 11.3 per cent in the 2012/13 budget and increases by 1.7 and 9.5 per cent for each of the respective outer years of the MTREF. The operating surplus, before capital grant transfers, for the two outer years increases to R3.4 million for the 2013/2014 financial year and then increases to R5. 923 million. The main reason for the increase in expenditure is the increase in bulk electricity price and employee cost.

The capital budget of R26 150 million for 2012/13 is 400 per cent more when compared to the 2011/12 Adjustment Budget. The latter has to do how the municipality has implemented its capital programmes and specifically its MIG allocation in the pass. The capital programme further increase to R33 789 million in the 2013/14 financial year and then further in 2014/15 to R35 636 million.

As indicated above no borrowing for capital projects is planned. The municipality is still well within the limits of its borrowing capacity but will raise very limited loans in the near future in order to curtail possible rising debt servicing costs.

1.4 Operating Revenue Framework

For Emalahleni Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality will also have to seek for funding to developed a revenue enhancement strategy. The latter will assist the municipality to identify areas to improve their revenue collection. In the absence of a revenue enhancement strategy, the following information were use to help the municipality's revenue management

- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an improve percentage increase in annual collection rate for property rates and other key service charges. This percentage is low compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and

- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 5,5% per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance										
Property rates	1 961	3 065	1 772	5 096	2 473	2 473	2 473	2 680	2 860	3 060
Service charges	5 038	5 686	6 899	13 024	15 150	15 150	15 150	11 653	11 527	12 583
Investment revenue	3 910	2 387	1 830	2 592	1 265	1 265	1 265	14	14	15
Transfers recognised - operational	41 159	46 465	87 337	65 429	69 814	69 814	69 814	75 541	87 875	98 757
Other own revenue	2 251	6 570	3 544	28 870	19 655	19 655	19 655	30 622	23 754	25 847
Total Revenue (excluding capital transfers and contributions)	54 319	64 174	101 382	115 010	108 357	108 357	108 357	120 508	126 030	140 263

The percentage revenue from own sources increases during the budget year. In the two outer years of the MTREF the increases in revenue is fairly consistent, except electricity which is projected to increase by much higher percentages due to the increases by . The growth in revenue contributions are indicated below (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Percentage growth in revenue by source									
Description	2010/11			2012/13 Medium Term Revenue & Expenditure Framework					
R thousand	Audited Outcome	Adjusted Budget 11/12	% increase/dec rease	Budget Year 2012/13	% increase/dec rease	Budget Year +1 2013/14	% increase/dec rease	Budget Year +2 2014/15	% increase/dec rease
Revenue By Source									
Property rates	1 772	2 473	39.53	2 680	8.38	2 860	6.72	3 060	7.00
Property rates - penalties & collection charges	-	-		-	0.00	-	0.00	-	
Service charges - electricity revenue	4 982	5 076	1.88	5 634	10.99	6 559	16.43	7 268	10.80
Service charges - water revenue	(7)	2 989	-40 361.31	2 818	-5.72	1 563	-44.55	1 672	7.00
Service charges - sanitation revenue	(440)	4 395	-1 098.80	431	-90.19	459	6.38	491	7.00
Service charges - refuse revenue	2 364	2 690	13.77	2 764	2.77	2 941	6.38	3 147	7.00
Service charges - other	-	-	0.00	5	100.00	6	6.38	6	7.00
Rental of facilities and equipment	656	803	22.35	856	6.59	905	5.76	968	7.00
Interest earned - external investments	1 830	1 265	-30.88	14	-98.93	14	5.50	15	7.00
Interest earned - outstanding debtors	2 284	5 022	119.91	2 495	-50.33	1 509	-39.50	1 615	7.00
Dividends received	-	-	0.00	-	0.00	-	0.00	-	
Fines	0	-	-100.00	0	0.00	13	4 671.53	14	7.00
Licences and permits	-	-	0.00	-	0.00	-	0.00	-	
Agency services	48	14 917	31 156.01	26 859	80.06	20 275	-24.51	22 124	9.12
Transfers recognised - operating	87 337	69 814	-20.06	75 541	8.20	87 875	16.33	98 757	12.38
Other revenue	556	(1 087)	-295.48	344	-131.67	981	184.85	1 049	7.00
Gains on disposal of PPE	-	-	0.00	68	100.00	72	5.50	77	7.00
Total Revenue (excluding capital transfers and contributions)	101 382	108 357	6.88	120 508	11.21	126 030	4.58	140 263	11.29

Expenditure By Type									
Employee related costs	27 500	28 513	3.68	31 571	-	34 728	10.00	38 201	10.00
Remuneration of councillors	6 776	9 409	38.85	9 257	-1.62	9 813	6.01	10 401	6.00
Debt impairment	7 792	799	-89.75	3 801	375.73	4 549	19.68	4 867	7.00
Depreciation & asset impairment	-	4 200	100.00	3 642	-13.29	5 971	63.97	6 671	11.71
Finance charges	21	26	24.40	133	415.58	138	3.37	148	7.00
Bulk purchases	7 291	10 200	39.91	11 381	11.58	13 237	16.31	15 769	19.12
Other materials	-	-	0.00	-	0.00	-	0.00	-	0.00
Contracted services	-	-	0.00	-	0.00	-	0.00	-	0.00
Transfers and grants	-	-	0.00	-	0.00	-	0.00	-	0.00
Other expenditure	27 301	55 108	101.85	60 720	10.18	54 167	-10.79	58 283	7.60
Loss on disposal of PPE	-	-	0.00	-	0.00	-	0.00	-	0.00
Total Expenditure	76 681	108 255	41.18	120 504	11.31	122 602	1.74	134 340	9.57

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but operating grants forms the major funding source.

This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. **Details in this regard are contained below:**

EC136 Emalahleni (Ec) - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

EC136 Ennahdient (EC) - Supporting Table SAI Supporting detail to Budgeted Financial Performance											
Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		1 961	4 252	4 776	4 763	2 923	2 923	2 923	3 200	3 410	3 649
less Revenue Foregone			(1 187)	(3 003)		(450)	(450)	(450)	(520)	(550)	(589)
Net Property Rates		1 961	3 065	1 772	4 763	2 473	2 473	2 473	2 680	2 860	3 060
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		3 007	3 722	5 398	4 604	5 726	5 726	5 726	6 304	7 249	7 978
less Revenue Foregone		(210)	(411)	(416)		(650)	(650)	(650)	(670)	(690)	(710)
Net Service charges - electricity revenue		2 797	3 311	4 982	4 604	5 076	5 076	5 076	5 634	6 559	7 268
Service charges - water revenue	6										
Total Service charges - water revenue					2 679	3 589	3 589	3 589	3 618	2 976	3 184
less Revenue Foregone				(7)		(600)	(600)	(600)	(800)	(1 413)	(1 512)
Net Service charges - water revenue		-	-	(7)	2 679	2 989	2 989	2 989	2 818	1 563	1 672
Service charges - sanitation revenue											
Total Service charges - sanitation revenue					3 054	4 595	4 595	4 595	3 220	3 426	3 665
less Revenue Foregone				(440)		(200)	(200)	(200)	(2 789)	(2 967)	(3 175)
Net Service charges - sanitation revenue		-	-	(440)	3 054	4 395	4 395	4 395	431	459	491
Service charges - refuse revenue	6										
Total refuse removal revenue		2 241	2 376	2 559	2 688	2 730	2 730	2 730	2 807	2 986	3 195
Total landfill revenue				(195)		(40)	(40)	(40)	(42)	(45)	(48)
less Revenue Foregone											
Net Service charges - refuse revenue		2 241	2 376	2 364	2 688	2 690	2 690	2 690	2 764	2 941	3 147
Other Revenue by source											
Other revenue	3	1 244	6 394	556	313	171	171	171	344	2 378	2 544
Total 'Other' Revenue	1	1 244	6 394	556	313	171	171	171	344	2 378	2 544

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R50 000
2	50 kWh free electricity per month
3	6 kiloliters of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month

Operating grants and transfers totals R69 814 million in the 2011/12 financial year and increases to R98 757 million by 2014/15. Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government. The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis. The contribution for Councillors Allowances also increased significantly for the budget year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

EC136 Emalahleni (Ec) - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		31 271	42 184	59 535	64 910	63 910	63 910	72 497	79 460	87 245
Local Government Equitable Share		30 036	40 449	57 535	61 620	61 620	61 620	69 797	75 590	81 744
Finance Management		500	1 000	1 250	1 500	1 500	1 500	1 500	1 500	1 750
Municipal Systems Improvement		735	735	750	790	790	790	800	870	950
MIG Operating										1 301
NDPG					1 000	-	-	400	1 500	1 500
Provincial Government:		16	82	-	-	2 475	2 475	1 358	-	-
Town Revitalisation						750	750			
EPWP						1 625	1 625	1 358	-	
LG SETA	16	82				100	100			
District Municipality:		-	-	19 878	19 256	3 429	3 429	520	535	4 451
Sanitation				6 206	8 743					
Library Grant				495		517	517	520	535	545
SPU						2 659	2 659			
Other						254	254			1 391
Water				13 177	10 513					2 515
Other grant providers:		31 872	13 243	-	-	-	-	-	-	-
		31 872	13 243	-						
Total Operating Transfers and Grants	5	63 160	55 509	79 412	84 166	69 814	69 814	74 375	79 995	91 695
Capital Transfers and Grants										
National Government:		9 818	14 317	22 217	26 135	4 480	4 480	26 145	33 361	36 774
Municipal Infrastructure Grant (MIG)		9 818	13 817	15 978	19 217		-	22 145	23 361	24 712
Integrated National Electrification Programme				5 000	4 480	4 480	4 480	4 000	7 000	5 000
EPWP			500	1 239	2 438		-			
NDPG									3 000	7 062
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		1 242	1 711	3 243	5 082	-	-	-	2 350	-
Sanitation				1 497	2 282					
Water		1 242	1 711	1 747	2 800				2 350	
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	11 060	16 028	25 460	31 217	4 480	4 480	26 145	35 711	36 774
TOTAL RECEIPTS OF TRANSFERS & GRANTS		74 220	71 536	104 872	115 383	74 294	74 294	100 520	115 706	128 470

Revenue from capital transfers is indicated below and increases steadily from R23 950 million to R26 057 million over the MTREF period.

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousands										
Transfers recognised - capital	8 016	26 470	0	31 217	4 480	4 480	4 480	26 145	30 361	29 712

Total revenue per municipal vote, including capital transfers, is listed below:

EC136 Emalahleni (Ec) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
Revenue by Vote	1									
Vote 1 - Council		1 861	1 892	1 150	2 394	5 053	5 053	2 528	2 674	-
Vote 2 - Executive		-	-	-	-	5 834	5 834	-	-	-
Vote 3 - Corporate Services		42	77	81	11	9 904	9 904	12	12	13
Vote 4 - Budget and Treasury		36 150	51 271	56 316	71 712	30 258	30 258	75 415	81 503	91 096
Vote 5 - IPED		4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
Vote 6 - Community Services		1 130	816	731	1 252	7 043	7 043	1 340	1 407	1 478
Vote 7 - Water And Sanitation		(0)	-	33 758	28 741	25 370	25 370	29 229	23 727	25 817
Vote 8 - Refuse		3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
Vote 9 - Roads Transport		9 320	28 554	81	2 279	3 860	3 860	25 008	27 123	28 723
Vote 10 - Electricity		4 278	4 992	5 107	4 655	15 676	15 676	9 665	13 592	12 303
Vote 11 - Housing Services		3 382	102	-	-	-	-	-	-	-
Total Revenue by Vote	2	63 410	91 629	100 767	115 010	114 094	114 094	146 654	157 789	171 470

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy stringently but there are always situations where there are defaults on payment. The contribution for bad debt is increasing from R3 801 million in 2012/13 to R4 867 million in 2014/15 financial year.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R60 000;
- The limit for indigent households is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a general 5.4 per cent increase from 1 July 2012.

ASSESSMENT RATES						
Ratios						
Undeveloped land	1.0					
Institutional	1.5					
Land and Buildings	1.0					
Business	1.5					
Government	1.5					
Agricultural	0.25					
Public service infrastructure	0.25					
Public benefit organisation	0.25					
		1.050	1.048	1.054	1.054	1.054
FINANCIAL YEARS		2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
LADY FRERE		0.0059	0.0062	0.0065	0.0068	0.0072
DORDRECHT		0.0059	0.0062	0.0065	0.0068	0.0072
INDWE		0.0059	0.0062	0.0065	0.0068	0.0072
Interest will be charged on all late payments. Property rates for registered indigent customers will be subsidized as per the Indigent policy.						

1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. In addition, recent droughts caused water carting to be introduced by the Chris Hani District Municipality. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains water from the Chris Hani District Municipality (CHDM) and deliver the service on behalf of the CHDM. The CHDM reimburses the municipality for the difference in expenditure incurred in delivering the service and the cash received from consumers as payment for the services. The municipality is concerned, that claims are not properly done monthly which ends up annually that the District owns monies to the local municipality.

Furthermore, the CHDM indicated that the water tariffs to the consumers are not cost reflective and as such the tariffs will increase substantially from the 2012/2013 financial year. Similarly, the CHDM also indicated the tariffs for sanitation are not cost reflective and may be subjected to significant increases.

WATER						
FINANCIAL YEARS	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Tarrifs exclude VAT						
Domestic Consumers: (Metered)						
Basic/Availability Charge per month (6kl free water included)		1.06	1.048	1.06	1.06	1.06
DORDRECHT	29.66	31.44	32.95	34.93	37.02	39.24
INDWE	29.66	31.44	32.95	34.93	37.02	39.24
Per KL consumed						
DORDRECHT	3.33	3.53	3.70	3.92	4.16	4.41
INDWE	3.33	3.53	3.70	3.92	4.16	4.41
Domestic Consumers: (Unmetered)						
Basic/Availability Charge per month (Unmetered on site)						
LADY FRERE	43.15	45.74	47.93	50.81	53.86	57.09
DORDRECHT	43.15	45.74	47.93	50.81	53.86	57.09
INDWE	43.15	45.74	47.93	50.81	53.86	57.09
Basic/Availability Charge per month (Standpipes)						
LADY FRERE	43.15	45.74	47.93	50.81	53.86	57.09
Commercial Consumers: (Metered)						
Basic/Availability Charge per month						
DORDRECHT	43.15	45.74	47.93	50.81	53.86	57.09
INDWE	43.15	45.74	47.93	50.81	53.86	57.09
Per KL consumed						
DORDRECHT	3.33	3.53	3.70	3.92	4.16	4.41
INDWE	3.33	3.53	3.70	3.92	4.16	4.41
LADY FRERE (FLAT RATE)				27.00	28.62	30.34
DORDRECHT (UPCOMING STRUCTURES)				42.00	44.52	47.19
INDWE (UPCOMING STUCTRES)				42.00	44.52	47.19
Government Consumers: (Metered)						
Basic/Availability Charge per month						
DORDRECHT	179.69	190.47	199.61	211.59	224.29	237.74
Per KL consumed						
DORDRECHT	3.33	3.53	3.70	3.92	4.16	4.41
Indigents						
LADY FRERE	0	0.00	0.00	0.00	0.00	0.00
DORDRECHT	0	0.00	0.00	0.00	0.00	0.00
INDWE	0	0.00	0.00	0.00	0.00	0.00
6 kl free plus 2 kl for HIV/AIDS possitive, usage exceeding 6 kl standard tariff will apply						
New connection fees						
Residential		625.00	655.00	694.30	735.96	780.12
Business		1 590.00	1 666.32	1 766.30	1 872.28	1984.61

Although water inventory belongs to the CHDM, the municipality continuously explores ways to limit the water losses to an acceptable level. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 16 per cent increase in the Eskom bulk electricity was given by NERSA. However, NERSA has indicated a 11.03 % tariff increase to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11,03 per cent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES (Excl VAT)

Standard interest + 1.00% would be charged on all late payments

Implementation subject to NER approval

Tariffs are applicable throughout Emalahleni Municipality unless indicated otherwise

ELECTRICITY						
All The Tariffs are VAT exclusive Fees exclude cables, trenching and circuit breaker.						
FINANCIAL YEARS	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Domestic Consumers: (Pre-paid)						
Single Phase (per KWh consumed)		1.2	1.2238	BLOCK 3	BLOCK 3	BLOCK 3
DORDRECHT	0.76	0.92	1.12	1.09	1.09	1.09
INDWE	0.76	0.92	1.12	1.09	1.09	1.09
Three Phase (per KWh consumed)						
DORDRECHT	0.86	1.03	1.26	1.09	1.09	1.09
Domestic Consumers: (Metered)						
Basic/Availability Charge per month (Single Phase)						
DORDRECHT	48.60	58.32	71.37	1.09	1.09	1.09
INDWE	48.60	58.32	71.37	1.09	1.09	1.09
Basic/Availability Charge per month (Three Phase)						
DORDRECHT	104.31	125.17	153.18	1.09	1.09	1.09
Per KWh consumed						
DORDRECHT	0.61	0.73	0.89	1.09	1.09	1.09
INDWE	0.61	0.73	0.89	1.09	1.09	1.09
Small Commercial Consumers: (Metered)						
Basic/Availability Charge per month (Single Phase)				Commercial	Commercial	Commercial
DORDRECHT	170.00	204.00	249.66	1.35	1.35	1.35
INDWE	170.00	204.00	249.66	1.35	1.35	1.35
Basic/Availability Charge per month (Three Phase)						
DORDRECHT	346.27	415.52	508.52	1.35	1.35	1.35
Per Kwh consumed						
DORDRECHT	0.61	0.73	0.89	1.35	1.35	1.35
INDWE	0.61	0.73	0.89	1.35	1.35	1.35
Small Commercial Consumers: (Pre-paid meters)						
Single Phase (per KWh consumed)						
DORDRECHT	0.86	1.03	1.26	1.35	1.35	1.35
INDWE	0.86	1.03	1.26	1.35	1.35	1.35
Three Phase (per consumed)						
DORDRECHT	0.86	1.04	1.27	1.35	1.35	1.35
INDWE	0.86	1.04	1.27	1.35	1.35	1.35
Large Commercial Consumers: (Metered)						
Basic/Availability Charge per month (Single Phase)						
DORDRECHT	333.75	400.50	490.13	1.35	1.35	1.35
INDWE	433.79	520.54	637.04	1.35	1.35	1.35
Per KWh consumed						
DORDRECHT	0.33	0.40	0.49	1.35	1.35	1.35
INDWE	0.30	1.50	1.84	1.35	1.35	1.35
Per KVA consumed						

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does not make a profit on electricity and must implement ways of achieving a profit, without overburdening the consumers with exorbitant tariffs. The municipality needs to establish the causes for electricity losses. The loss on the electricity service over the MTREF is 13,7 percent for 2012/2013 and 13,9 percent and 14,1 percent for the outer years.

Electricity line losses should be continuously monitored as it can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as "acceptable" in the industry and Emalahleni Municipality is well above that norm.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality should comply with this requirement.

1.4.4 Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main cost drivers for this section are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role as cost drivers. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.

Higher increases than inflation will not be viable in 2013/14 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPIX target of between 3 and 6 percent.

The following table compares current and proposed amounts payable from 1 July 2012:

Comparison between current waste removal fees and increases

REFUSE REMOVAL						
FINANCIAL YEARS	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Tariffs exclude VAT						
Domestic Consumers:						
Basic/Availability Charge per month		1.057	1.048	1.054	1.054	1.054
LADY FRERE	50.83	53.73	56.31	59.35	62.55	65.93
DORDRECHT	50.83	53.73	56.31	59.35	62.55	65.93
INDWE	50.83	53.73	56.31	59.35	62.55	65.93
Commercial Consumers:						
Basic/Availability Charge per month						
LADY FRERE	101.65	107.44	112.60	118.68	125.09	131.85
DORDRECHT	101.65	107.44	112.60	118.68	125.09	131.85
INDWE	101.65	107.44	112.60	118.68	125.09	131.85
Government Consumers:						
Basic/Availability Charge per month						
LADY FRERE	253.90	268.37	281.25	296.44	312.45	329.32
DORDRECHT	253.90	268.37	281.25	296.44	312.45	329.32
INDWE	253.90	268.37	281.25	296.44	312.45	329.32
Indigents:						
Basic/Availability Charge per month						
LADY FRERE	-	-	-	-	-	-
DORDRECHT	-	-	-	-	-	-
INDWE	-	-	-	-	-	-
Special Refuse collection	185.93	196.53	205.96	217.08	228.81	241.16
Collection of Garden Refuse	185.93	196.53	205.96	217.08	228.81	241.16
Special Refuse collection - Government and Commercial	220.95	233.54	244.75	257.97	271.90	286.58
Tree- cutting inside yard :	2 100.00	2 219.70	2 326.25	2 451.85	2 584.26	2 723.81
Rubble per load/building remains	-	-	238.14	251.00	264.55	278.84

1.4.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on different households. The National Treasury adjusted the way comparatives are being calculated and for that reason current tariffs are unfortunately not included.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to about 6%, excluding the electricity adjustments.

Description	2012/13 Medium Term Revenue & Expenditure Framework			
	Budget Year 2012/13 % incr.	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent				
Monthly Account for Household - 'Middle Income Range'				
Rates and services charges:				
Property rates	6.0%	582.60	617.56	654.61
Electricity: Basic levy	11.0%	102.95	123.54	148.25
Electricity: Consumption	11.0%	1 647.85	1 977.42	2 372.90
Water: Basic levy		44.30	46.96	49.78
Water: Consumption		182.05	192.97	204.55
Sanitation		74.35	78.81	83.54
Refuse removal	6.0%	101.55	107.64	114.10
Other				
sub-total	–	2 735.65	3 144.90	3 627.73
VAT on Services		301.43	353.83	416.24
Total large household bill:	–	3 037.08	3 498.73	4 043.97
% increase/-decrease		–	15.2%	15.6%
Monthly Account for Household - 'Affordable Range'				
Rates and services charges:				
Property rates	6.0%	140.25	148.67	157.58
Electricity: Basic levy	11.0%	102.95	123.54	148.25
Electricity: Consumption	11.0%	731.65	877.98	1 053.58
Water: Basic levy		44.30	46.96	49.78
Water: Consumption		131.05	138.91	147.25
Sanitation		74.35	78.81	83.54
Refuse removal	6.0%	101.55	107.64	114.10
Other				
sub-total	–	1 326.10	1 522.51	1 754.07
VAT on Services		166.02	192.34	223.51
Total small household bill:	–	1 492.12	1 714.85	1 977.58
% increase/-decrease		–	14.9%	15.3%
Monthly Account for Household - 'Indigent' Household receiving free basic services				
Rates and services charges:				
Property rates	6.0%	93.40	99.00	104.94
Electricity: Basic levy	11.0%		–	–
Electricity: Consumption	11.0%	282.15	338.58	406.30
Water: Basic levy			–	–
Water: Consumption			–	–
Sanitation			–	–
Refuse removal	11.0%		–	–
Other				
sub-total	–	375.55	437.58	511.24
VAT on Services		39.50	47.40	56.88
Total small household bill:	–	415.05	484.99	568.12
% increase/-decrease		–	16.8%	17.1%

References

1. Use as basis property value of R700 000, 1 000 kWh electricity and 30kl water
2. Use as basis property value of R500 000 and R700 000, 500 kWh electricity and 25kl water
3. Use as basis property value of R 300 000, 350kWh electricity and 20kl water (50 kWh electricity and 6 kl water free)

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circulars 58 and 59;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Expenditure - Standard										
<i>Governance and administration</i>		20 681	21 206	43 085	45 036	41 730	41 730	46 693	49 869	54 116
Executive and council		10 428	(5 167)	16 131	20 884	21 027	21 027	23 219	24 309	26 275
Budget and treasury office		3 213	18 993	16 995	15 045	10 332	10 332	12 213	13 275	14 506
Corporate services		7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
<i>Community and public safety</i>		8 626	3 959	6 098	11 568	8 395	8 395	21 376	24 393	27 986
Community and social services		3 580	2 631	4 337	10 186	5 788	5 788	8 508	9 056	9 861
Sport and recreation		146	144	217	355	798	798	322	951	1 084
Public safety		396	362	314	—	658	658	11 087	12 789	15 289
Housing		4 504	822	1 230	1 027	1 151	1 151	1 459	1 597	1 751
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		9 482	8 962	10 955	37 795	25 983	25 983	17 710	16 400	17 693
Planning and development		4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
Road transport		4 607	5 865	7 310	30 741	18 142	18 142	9 469	10 482	11 290
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		6 833	8 398	15 927	54 273	33 406	33 406	34 725	33 337	36 040
Electricity		4 892	5 620	12 578	16 467	15 479	15 479	2 571	3 318	3 621
Water		0	(0)	—	18 559	8 877	8 877	18 266	15 146	16 337
Waste water management		—	—	—	15 264	5 711	5 711	10 598	11 338	12 188
Waste management		1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Expenditure - Standard	3	45 623	42 526	76 066	148 672	109 513	109 513	120 504	123 999	135 835

The budgeted allocation for employee related costs for the 2012/13 financial year totals

R31 571million, which equals 26.20 per cent of the total operating expenditure. This percentage increases to 28.3 and 28.4 per cent in the outer years of the MTREF period. Should electricity bulk purchases and depreciation be excluded, in order to compare it with other municipalities on an more equal basis, the costs represent 29.9 per cent of the expenditure and increase to 33.5 and 34.1per cent in the outer years. Based on the guidance provided by National Treasury in Circular 58 and in the absence on a new collective agreement on increases, salary increases have been factored into this budget at a percentage increase of 7.5 per cent plus notch increases for the 2012/13 financial year. An annual increase of 7.5 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 15 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R3 801 million and escalates to R4 867 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R3 642 million for the 2012/13 financial and equates to 3 per cent of the total operating expenditure. In order to measure it against other municipalities, if electricity bulk purchases are eliminated, it represents 3.3 per cent of the expenditure. The average for local municipalities in recent research is 11,76 per cent, and this small difference indicating that expected useful lives and depreciation rates are realistic.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represents 9.4 per cent of expenditure and increase to per cent and 11.7 per cent in the outer years. If depreciation is excluded, the percentage is 9.7 per cent for the budget year and increasing to 11.3 per cent and 12.35 per cent in the outer years.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Main operational expenditure categories for the 2012/13 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented in future budgets.

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2012/2013 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to asset class:

EC136 Emalahleni (Ec) - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		380	279	891	1 978	1 300	1 300	4 950	2 440	2 611
Infrastructure - Road transport		276	211	447	786	720	720	828	873	934
Roads, Pavements & Bridges		154	191	342	524	600	600	552	582	623
Storm water		122	20	105	262	120	120	276	291	311
Infrastructure - Electricity		89	68	445	1 033	180	180	701	865	925
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		6	57	366	105	105	105	110	116	121
Street Lighting		82	11	78	928	75	75	590	748	801
Infrastructure - Water		-	-	-	158	400	400	3 422	703	752
Dams & Reservoirs		-	-	-	-	-	-	-	-	-
Water purification		-	-	-	-	-	-	-	-	-
Reticulation Water		-	-	-	158	400	400	3 422	703	752
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation		-	-	-	-	-	-	-	-	-
Sewerage purification		-	-	-	-	-	-	-	-	-
Infrastructure - Other		15	-	-	-	-	-	-	-	-
Waste Management		15	-	-	-	-	-	-	-	-
Transportation	2	-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other	3	-	-	-	-	-	-	-	-	-
Community		89	58	41	497	10	10	394	434	464
Parks & gardens		5	4	7	74	-	-	86	92	98
Sports Fields & stadia		7	26	15	44	10	10	46	49	53
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		28	-	-	243	-	-	120	142	152
Buses	7	-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		50	29	19	136	-	-	142	151	161
Social rental housing	8	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Other assets		1 256	1 014	1 574	3 686	3 054	3 054	5 488	4 301	4 602
General vehicles		673	831	892	1 807	1 572	1 572	1 865	1 632	1 746
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		98	58	156	760	1 304	1 304	2 231	1 372	1 468
Computers - hardware/equipment		-	-	-	10	-	-	32	12	12
Furniture and other office equipment		34	59	63	247	68	68	295	306	328
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		451	66	463	862	110	110	1 066	979	1 047
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	1 725	1 351	2 506	6 162	4 364	4 364	10 832	7 175	7 677

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below. (Note that Water and Sanitation, although provided by the municipality, is the function of CHDM)

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The income foregone as a result of free basic services totals R4 821million in the budget year and increasing to R5 665 million and R6 033 million in the outer years.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

EC136 Emalahleni (Ec) - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	450	-	-	-	-	-	-
Vote 4 - Budget and Treasury		793	1 810	-	640	-	-	-	-	-	-
Vote 5 - IPED		-	20	-	20	-	-	-	-	-	-
Vote 6 - Community Services		1 186	3 353	-	557	-	-	-	-	-	-
Vote 7 - Water And Sanitation		-	4 650	-	5 082	-	-	-	-	-	-
Vote 8 - Refuse		7 160	750	-	350	-	-	-	2 000	5 000	-
Vote 9 - Roads Transport		8 418	14 667	-	21 665	-	-	-	1 995	2 499	-
Vote 10 - Electricity		-	810	-	4 480	-	-	-	-	-	-
Vote 11 - Housing Services		-	1 015	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	17 557	27 075	-	33 244	-	-	-	3 995	7 499	-
Single-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive		-	-	-	-	-	-	-	180	170	185
Vote 3 - Corporate Services		-	-	-	-	180	180	180	150	140	120
Vote 4 - Budget and Treasury		-	-	-	-	730	730	730	900	810	740
Vote 5 - IPED		-	-	-	-	-	-	-	75	75	60
Vote 6 - Community Services		-	-	-	-	61	61	61	6 550	140	120
Vote 7 - Water And Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 8 - Refuse		-	-	-	-	550	550	550	-	-	-
Vote 9 - Roads Transport		-	-	-	-	-	-	-	12 100	16 003	24 832
Vote 10 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 11 - Housing Services		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	1 521	1 521	1 521	19 955	17 338	26 057
Total Capital Expenditure - Vote		17 557	27 075	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057

The following table provides more information on the breakdown of the capital budget and the related maintenance of assets.

EC136 Emalahleni (Ec) - Supporting Table SA34c Repairs and maintenance expenditure by asset class

EC130 Enhancement (20) - Supporting rate 0.75% Repairs and maintenance expenditure by asset class										
Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		380	279	891	1 978	1 300	1 300	4 950	2 440	2 611
Infrastructure - Road transport		276	211	447	786	720	720	828	873	934
Roads, Pavements & Bridges		154	191	342	524	600	600	552	582	623
Storm water		122	20	105	262	120	120	276	291	311
Infrastructure - Electricity		89	68	445	1 033	180	180	701	865	925
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		6	57	366	105	105	105	110	116	125
Street Lighting		82	11	78	928	75	75	590	748	801
Infrastructure - Water		-	-	-	158	400	400	3 422	703	752
Dams & Reservoirs		-	-	-	-	-	-	-	-	-
Water purification		-	-	-	-	-	-	-	-	-
Reticulation Water		-	-	-	158	400	400	3 422	703	752
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation		-	-	-	-	-	-	-	-	-
Sewerage purification		-	-	-	-	-	-	-	-	-
Infrastructure - Other		15	-	-	-	-	-	-	-	-
Waste Management		15	-	-	-	-	-	-	-	-
Transportation	2	-	-	-	-	-	-	-	-	-
Gas		-	-	-	-	-	-	-	-	-
Other	3	-	-	-	-	-	-	-	-	-
Community		89	58	41	497	10	10	394	434	484
Parks & gardens		5	4	7	74	-	-	86	92	98
Sports Fields & stadia		7	26	15	44	10	10	46	49	53
Swimming pools		-	-	-	-	-	-	-	-	-
Community halls		-	-	-	-	-	-	-	-	-
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		28	-	-	243	-	-	120	142	152
Buses	7	-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		50	29	19	136	-	-	142	151	161
Social rental housing	8	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Other assets		1 256	1 014	1 574	3 686	3 054	3 054	5 488	4 301	4 602
General vehicles		673	831	892	1 807	1 572	1 572	1 865	1 632	1 746
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		96	58	156	760	1 304	1 304	2 231	1 372	1 468
Computers - hardware/equipment		-	-	-	10	-	-	32	12	12
Furniture and other office equipment		34	59	63	247	68	68	295	306	328
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		451	66	463	862	110	110	1 066	979	1 047
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure	1	1 725	1 351	2 506	6 162	4 364	4 364	10 832	7 175	7 677

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R2,2 million in 2012/13 and escalates to R4,4 million by 2013/14. This concomitant operational expenditure is expected to escalate to R6,5 million by 2014/15. It needs to be noted that as part of the 2012/13 MTREF, this expenditure has been factored into the two outer years of the operational budget.

EC136 Emalahleni (Ec) - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Ref	2012/13 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Present value
Capital expenditure	1							
Vote 1 - Council		-	-	-				
Vote 2 - Executive		180	170	185				
Vote 3 - Corporate Services		150	140	120				
Vote 4 - Budget and Treasury		900	810	740				
Vote 5 - IPED		75	75	60				
Vote 6 - Community Services		6 550	140	120				
Vote 7 - Water And Sanitation		-	-	-				
Vote 8 - Refuse		2 000	5 000	-				
Vote 9 - Roads Transport		14 095	18 501	24 832				
Vote 10 - Electricity		-	-	-				
Vote 11 - Housing Services		-	-	-				
<i>List entity summary if applicable</i>								
Total Capital Expenditure		23 950	24 836	26 057	-	-	-	-
Future operational costs by vote	2							
Vote 1 - Council								
Vote 2 - Executive								
Vote 3 - Corporate Services								
Vote 4 - Budget and Treasury								
Vote 5 - IPED								
Vote 6 - Community Services								
Vote 7 - Water And Sanitation								
Vote 8 - Refuse								
Vote 9 - Roads Transport								
Vote 10 - Electricity								
Vote 11 - Housing Services								
<i>List entity summary if applicable</i>								
Total future operational costs		-	-	-	-	-	-	-
Future revenue by source	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		23 950	24 836	26 057	-	-	-	-

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

EC136 Emalahleni (Ec) - Table A1 Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousands										
Financial Performance										
Property rates	1 961	3 065	1 772	5 096	2 473	2 473	2 473	2 680	2 860	3 060
Service charges	5 038	5 686	6 899	13 024	15 150	15 150	15 150	11 653	11 527	12 583
Investment revenue	3 910	2 387	1 830	2 592	1 265	1 265	1 265	14	14	15
Transfers recognised - operational	41 159	46 465	87 337	65 429	69 814	69 814	69 814	75 541	87 875	98 757
Other own revenue	2 251	6 570	3 544	28 870	19 655	19 655	19 655	30 622	23 754	25 847
Total Revenue (excluding capital transfers and contributions)	54 319	64 174	101 382	115 010	108 357	108 357	108 357	120 508	126 030	140 263
Employee costs	15 859	3 194	27 500	39 469	28 513	28 513	28 513	31 571	34 728	38 201
Remuneration of councillors	5 742	5 934	6 776	8 791	9 409	9 409	9 409	9 257	9 813	10 401
Depreciation & asset impairment	-	-	-	679	4 200	4 200	4 200	3 642	5 971	6 671
Finance charges	1 477	47	21	-	26	26	26	133	138	148
Materials and bulk purchases	4 114	5 062	7 291	9 179	10 200	10 200	10 200	11 381	13 237	15 769
Transfers and grants	-	-	-	34 507	-	-	-	-	-	-
Other expenditure	17 356	27 305	35 093	56 046	55 907	55 907	55 907	64 521	58 715	63 150
Total Expenditure	44 548	41 542	76 681	148 671	108 255	108 255	108 255	120 504	122 602	134 340
Surplus/(Deficit)	9 771	22 632	24 701	(33 661)	101	101	101	4	3 428	5 923
Transfers recognised - capital	8 016	26 470	0	31 217	4 480	4 480	4 480	26 145	30 361	29 712
Contributions recognised - capital & contributed assets	-	-	-	(2 026)	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	17 787	49 103	24 701	(4 470)	4 581	4 581	4 581	26 150	33 789	35 636
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	17 787	49 103	24 701	(4 470)	4 581	4 581	4 581	26 150	33 789	35 636
Capital expenditure & funds sources										
Capital expenditure	17 557	27 076	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057
Transfers recognised - capital	9 604	20 314	-	31 217	-	-	-	22 145	23 361	24 712
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	7 953	6 762	-	2 027	1 521	1 521	1 521	1 805	1 475	1 345
Total sources of capital funds	17 557	27 076	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057
Financial position										
Total current assets	86 329	75 706	77 440	37 885	80 100	80 100	80 100	88 500	102 770	118 407
Total non current assets	76 714	203 517	225 490	-	222 811	222 811	222 811	243 120	261 985	281 372
Total current liabilities	36 125	29 474	28 581	-	24 093	24 093	24 093	26 652	25 998	25 386
Total non current liabilities	16 736	1 314	1 219	-	1 106	1 106	1 106	1 106	1 106	1 106
Community wealth/Equity	110 182	248 435	273 131	-	277 713	277 713	277 713	303 862	337 652	373 287
Cash flows										
Net cash from (used) operating	17 623	116 905	12 966	(2 508)	(1 539)	(1 539)	(1 539)	27 397	30 570	32 391
Net cash from (used) investing	(10 701)	(126 803)	(34 157)	(64)	(1 521)	(1 521)	(1 521)	(23 883)	(24 765)	(25 981)
Net cash from (used) financing	(84)	(75)	(104)	-	(93)	(93)	(93)	2	3	3
Cash/cash equivalents at the year end	49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037
Cash backing/surplus reconciliation										
Cash and investments available	49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037
Application of cash and investments	8 488	(11 234)	29 449	-	(27 029)	(27 029)	(27 029)	(33 556)	(27 936)	(28 917)
Balance - surplus (shortfall)	41 230	50 979	(10 999)	37 885	42 326	42 326	42 326	52 370	52 558	59 954
Asset management										
Asset register summary (WDV)	250	203 517	225 490	-	226 961	226 961	250 762	250 762	267 573	293 460
Depreciation & asset impairment	-	-	-	679	4 200	4 200	3 642	3 642	5 971	6 671
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1 725	1 351	2 506	6 162	4 364	4 364	10 832	10 832	7 175	7 677
Free services										
Cost of Free Basic Services provided	1 004	1 076	-	1 362	1 362	1 362	-	-	-	-
Revenue cost of free services provided	1 379	1 470	-	1 804	1 940	1 940	4 821	4 821	5 665	6 033
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. There is no provision for any borrowing in the cash flows;
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently all of its obligations are cash-backed.
5. Significant assistance is being given to the indigent households.

Standard Classification Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1									
Revenue - Standard										
<i>Municipal governance and administration</i>		38 052	53 239	57 546	74 117	51 048	51 048	77 955	84 189	91 109
Executive and council		1 861	1 892	1 150	2 394	10 887	10 887	2 528	2 674	-
Mayor and Council		1 861	1 892	1 150	2 394	5 053	5 053	2 528	2 674	-
Municipal Manager		-	-	-	-	5 834	5 834	-	-	-
Budget and treasury office		36 150	51 271	56 316	71 712	30 258	30 258	75 415	81 503	91 096
Corporate services		42	77	81	11	9 904	9 904	12	12	13
Human Resources		42	77	81	11	9 904	9 904	12	12	13
Information Technology		-	-	-	-	-	-	-	-	-
Property Services		-	-	-	-	-	-	-	-	-
Other Admin		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		4 513	2 427	797	1 252	7 875	7 875	2 256	2 460	2 637
Community and social services		1 123	812	728	1 252	6 641	6 641	1 332	1 398	1 468
Libraries and Archives		211	221	3	-	517	517	521	536	546
Museums & Art Galleries etc		-	-	-	-	-	-	-	-	-
Community halls and Facilities		438	205	123	-	874	874	185	197	211
Cemeteries & Crematoriums		27	30	28	-	366	366	38	41	44
Child Care		-	-	-	-	-	-	-	-	-
Aged Care		-	-	-	-	-	-	-	-	-
Other Community		447	357	573	1 252	4 883	4 883	588	624	668
Other Social		-	-	-	-	-	-	-	-	-
Sport and recreation		7	4	3	-	402	402	8	9	9
Public safety		0	1 510	66	-	832	832	916	1 053	1 159
Police		-	-	-	-	-	-	-	-	-
Fire		-	-	-	-	-	-	-	-	-
Civil Defence		-	-	-	-	-	-	-	-	-
Street Lighting		0	1 510	66	-	832	832	916	1 053	1 159
Other		-	-	-	-	-	-	-	-	-
Housing		3 382	102	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Ambulance		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		13 395	29 901	82	3 279	10 955	10 955	25 411	31 626	37 287
Planning and development		4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
Economic		4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
Town Planning/Building		-	-	-	-	-	-	-	-	-
Licensing & Regulation		-	-	-	-	-	-	-	-	-
Road transport		9 320	28 554	81	2 279	3 860	3 860	25 008	27 123	28 723
Roads		8 140	26 669	57	322	3 814	3 814	25 008	24 949	26 396
Public Buses		-	-	-	-	-	-	-	-	-
Parking Garages		-	-	-	-	-	-	-	-	-
Vehicle Licensing and Testing		1 180	1 685	24	1 957	46	46	-	2 174	2 326
Other		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Pollution Control		-	-	-	-	-	-	-	-	-
Biodiversity & Landscape		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		7 450	6 061	42 342	36 361	44 217	44 217	41 032	39 514	40 438
Electricity		4 278	3 482	5 041	4 655	14 844	14 844	8 749	12 539	11 144
Electricity Distribution		4 278	3 482	5 041	4 655	14 844	14 844	8 749	12 539	11 144
Electricity Generation		-	-	-	-	-	-	-	-	-
Water		-	-	34 198	15 759	8 399	8 399	26 593	20 922	22 817
Water Distribution		-	-	34 198	15 759	8 399	8 399	26 593	20 922	22 817
Water Storage		-	-	-	-	-	-	-	-	-
Waste water management		(0)	-	(440)	12 982	16 971	16 971	2 636	2 804	3 001
Sewerage		(0)	-	(440)	12 982	16 971	16 971	2 636	2 804	3 001
Storm Water Management		-	-	-	-	-	-	-	-	-
Public Toilets		-	-	-	-	-	-	-	-	-
Waste management		3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
Solid Waste		3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
<i>Other</i>		-	-	-	-	-	-	-	-	-
Air Transport		-	-	-	-	-	-	-	-	-
Abattoirs		-	-	-	-	-	-	-	-	-
Tourism		-	-	-	-	-	-	-	-	-
Forestry		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	63 410	91 629	100 767	115 010	114 094	114 094	146 654	157 789	171 470

Expenditure - Standard										
Municipal governance and administration		20 681	21 206	43 085	45 036	41 730	41 730	46 693	49 869	54 116
Executive and council		10 428	(5 167)	16 131	20 884	21 027	21 027	23 219	24 309	26 275
Mayor and Council		8 683	(7 703)	11 553	14 910	16 038	16 038	17 034	18 168	19 132
Municipal Manager		1 745	2 535	4 578	5 975	4 989	4 989	6 185	6 141	7 143
Budget and treasury office		3 213	18 993	16 995	15 045	10 332	10 332	12 213	13 275	14 506
Corporate services		7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
Human Resources		7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
Information Technology		-	-	-	-	-	-	-	-	-
Property Services		-	-	-	-	-	-	-	-	-
Other Admin		-	-	-	-	-	-	-	-	-
Community and public safety		8 626	3 959	6 098	11 568	8 395	8 395	21 376	24 393	27 986
Community and social services		3 580	2 631	4 337	10 186	5 788	5 788	8 508	9 056	9 861
Libraries and Archives		210	246	280	-	294	294	323	353	386
Museums & Art Galleries etc		-	-	-	-	-	-	-	-	-
Community halls and Facilities		702	375	616	-	567	567	1 620	1 743	1 883
Cemeteries & Crematoriums		121	47	205	-	242	242	469	508	552
Child Care		-	-	-	-	-	-	-	-	-
Aged Care		-	-	-	-	-	-	-	-	-
Other Community		2 546	1 962	3 236	10 186	4 685	4 685	6 096	6 451	7 039
Other Social		-	-	-	-	-	-	-	-	-
Sport and recreation		146	144	217	355	798	798	322	951	1 084
Public safety		396	362	314	-	658	658	11 087	12 789	15 289
Police		-	-	-	-	-	-	-	-	-
Fire		-	-	-	-	-	-	-	-	-
Civil Defence		-	-	-	-	-	-	-	-	-
Street Lighting		396	362	314	-	658	658	11 087	12 789	15 289
Other		-	-	-	-	-	-	-	-	-
Housing		4 504	822	1 230	1 027	1 151	1 151	1 459	1 597	1 751
Health		-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Ambulance		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Economic and environmental services		9 482	8 962	10 955	37 795	25 983	25 983	17 710	16 400	17 693
Planning and development		4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
Economic		4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
Town Planning/Building		-	-	-	-	-	-	-	-	-
Licensing & Regulation		-	-	-	-	-	-	-	-	-
Road transport		4 607	5 865	7 310	30 741	18 142	18 142	9 469	10 482	11 290
Roads		3 325	4 499	7 256	29 477	16 860	16 860	9 441	9 047	9 753
Public Buses		-	-	-	-	-	-	-	-	-
Parking Garages		-	-	-	-	-	-	-	-	-
Vehicle Licensing and Testing		1 281	1 366	54	1 264	1 283	1 283	28	1 435	1 536
Other		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Pollution Control		-	-	-	-	-	-	-	-	-
Biodiversity & Landscape		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Trading services		6 833	8 398	15 927	54 273	33 406	33 406	34 725	33 337	36 040
Electricity		4 892	5 620	12 578	16 467	15 479	15 479	2 571	3 318	3 621
Electricity Distribution		4 892	5 620	12 578	16 467	15 479	15 479	2 571	3 318	3 621
Electricity Generation		-	-	-	-	-	-	-	-	-
Water		0	(0)	-	18 559	8 877	8 877	18 266	15 146	16 337
Water Distribution		0	(0)	-	18 559	8 877	8 877	18 266	15 146	16 337
Water Storage		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	15 264	5 711	5 711	10 598	11 338	12 188
Sewerage		-	-	-	15 264	5 711	5 711	10 598	11 338	12 188
Storm Water Management		-	-	-	-	-	-	-	-	-
Public Toilets		-	-	-	-	-	-	-	-	-
Waste management		1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
Solid Waste		1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
Other		-	-	-	-	-	-	-	-	-
Air Transport		-	-	-	-	-	-	-	-	-
Abattoirs		-	-	-	-	-	-	-	-	-
Tourism		-	-	-	-	-	-	-	-	-
Forestry		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	45 623	42 526	76 066	148 672	109 513	109 513	120 504	123 999	135 835
Surplus/(Deficit) for the year		17 787	49 103	24 701	(33 662)	4 581	4 581	26 150	33 789	35 636

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

EC136 Emalahleni (Ec) - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description		Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote											
Vote 1 - Council			1 861	1 892	1 150	2 394	5 053	5 053	2 528	2 674	-
1.1 - Council			1 861	1 892	1 150	2 394	5 053	5 053	2 528	2 674	-
Vote 2 - Executive			-	-	-	-	5 834	5 834	-	-	-
2.1 - Municipal Manager			-	-	-	-	5 834	5 834	-	-	-
Vote 3 - Corporate Services			42	77	81	11	9 904	9 904	12	12	13
3.1 - Human Resources			42	77	81	11	9 904	9 904	12	12	13
Vote 4 - Budget and Treasury			36 150	51 271	56 316	71 712	30 258	30 258	75 415	81 503	91 096
4.1 - Financial Services			33 908	48 060	53 576	66 617	25 980	25 980	72 235	78 111	87 466
4.2 - Assessment Rates			2 241	3 211	2 739	5 096	4 278	4 278	3 180	3 392	3 629
Vote 5 - IPED			4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
5.1 - IPED			4 075	1 347	1	1 000	7 095	7 095	403	4 503	8 565
Vote 6 - Community Services			1 130	816	731	1 252	7 043	7 043	1 340	1 407	1 478
6.1 - Community Services Admin			-	-	37	1 252	1 763	1 763	-	-	-
6.2 - Parks and Public Open Spaces			-	-	-	-	343	343	-	-	-
6.3 - Cemeteries			27	30	28	-	366	366	38	41	44
6.4 - Community and Town Halls			438	205	123	-	874	874	185	197	211
6.5 - Libraries			211	221	3	-	517	517	521	536	546
6.6 - Sport Fields			7	4	3	-	402	402	8	9	9
6.7 - Resorts			163	179	107	-	288	288	267	284	304
6.8 - Admin Buildings			72	(0)	-	-	1 653	1 653	1	1	2
6.9 - Commonage			212	179	430	-	836	836	319	338	362
Vote 7 - Water And Sanitation			(0)	-	33 758	28 741	25 370	25 370	29 229	23 727	25 817
7.1 - Sanitation			(0)	-	(440)	12 982	16 971	16 971	2 636	2 804	3 001
7.2 - Water			-	-	34 198	15 759	8 399	8 399	26 593	20 922	22 817
Vote 8 - Refuse			3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
8.1 - Refuse			3 171	2 579	3 543	2 965	4 003	4 003	3 054	3 249	3 476
Vote 9 - Roads Transport			9 320	28 554	81	2 279	3 860	3 860	25 008	27 123	28 723
9.1 - Licencing and Registration			1 180	1 685	24	1 957	46	46	-	2 174	2 326
9.2 - Roads and Storm Water			8 016	26 762	0	-	1 625	1 625	23 503	23 361	24 712
9.3 - Technical Services Admin			124	107	57	322	2 189	2 189	1 505	1 588	1 684
Vote 10 - Electricity			4 278	4 992	5 107	4 655	15 676	15 676	9 665	13 592	12 303
10.1 - Streetlights			0	1 510	66	-	832	832	916	1 053	1 159
10.2 - Electricity Trading Services			4 278	3 482	5 041	4 655	14 844	14 844	8 749	12 539	11 144
Vote 11 - Housing Services			3 382	102	-	-	-	-	-	-	-
11.1 - Housing			3 382	102	-	-	-	-	-	-	-
Total Revenue by Vote		2	63 410	91 629	100 767	115 010	114 094	114 094	146 654	157 789	171 470

Expenditure by Vote		1									
Vote 1 - Council			8 683	(7 703)	11 553	14 910	16 038	16 038	17 034	18 168	19 132
1.1 - Council			8 683	(7 703)	11 553	14 910	16 038	16 038	17 034	18 168	19 132
Vote 2 - Executive			1 745	2 535	4 578	5 975	4 989	4 989	6 185	6 141	7 143
2.1 - Municipal Manager			1 745	2 535	4 578	5 975	4 989	4 989	6 185	6 141	7 143
Vote 3 - Corporate Services			7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
3.1 - Human Resources			7 040	7 381	9 959	9 106	10 371	10 371	11 261	12 285	13 335
Vote 4 - Budget and Treasury			3 213	18 993	16 995	15 045	10 332	10 332	12 213	13 275	14 506
4.1 - Financial Services			3 213	18 993	16 995	11 017	9 832	9 832	11 583	12 620	13 805
4.2 - Assessment Rates			-	-	-	4 028	500	500	630	655	701
Vote 5 - IPED			4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
5.1 - IPED			4 876	3 097	3 645	7 054	7 840	7 840	8 241	5 919	6 404
Vote 6 - Community Services			3 726	2 775	4 554	10 541	6 586	6 586	8 830	10 007	10 946
6.1 - Community Services Admin			817	617	1 375	10 186	1 839	1 839	2 116	2 660	2 931
6.2 - Parks and Public Open Spaces			71	85	217	-	221	221	505	546	592
6.3 - Cemeteries			121	47	205	-	242	242	469	508	552
6.4 - Community and Town Halls			702	375	616	-	567	567	1 620	1 743	1 883
6.5 - Libraries			210	246	280	-	294	294	323	353	386
6.6 - Sport Fields			146	144	217	355	798	798	322	951	1 084
6.7 - Resorts			57	139	156	-	279	279	676	727	786
6.8 - Admin Buildings			1 571	1 119	1 043	-	1 682	1 682	1 779	1 356	1 463
6.9 - Commonage			31	2	444	-	664	664	1 021	1 162	1 268
Vote 7 - Water And Sanitation			0	(0)	-	33 823	14 588	14 588	28 865	26 483	28 526
7.1 - Sanitation			-	-	-	15 264	5 711	5 711	10 598	11 338	12 188
7.2 - Water			0	(0)	-	18 559	8 877	8 877	18 266	15 146	16 337
Vote 8 - Refuse			1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
8.1 - Refuse			1 942	2 778	3 349	3 983	3 338	3 338	3 289	3 536	3 893
Vote 9 - Roads Transport			4 607	5 865	7 310	30 741	18 142	18 142	9 469	10 482	11 290
9.1 - Licencing and Registration			1 281	1 366	54	1 264	1 283	1 283	28	1 435	1 536
9.2 - Roads and Storm Water			1 234	2 093	3 156	29 477	14 928	14 928	5 746	5 088	5 488
9.3 - Technical Services Admin			2 091	2 406	4 101	-	1 932	1 932	3 695	3 959	4 265
Vote 10 - Electricity			5 287	5 982	12 892	16 467	16 137	16 137	13 658	16 107	18 910
10.1 - Streetlights			396	362	314	-	658	658	11 087	12 789	15 289
10.2 - Electricity Trading Services			4 892	5 620	12 578	16 467	15 479	15 479	2 571	3 318	3 621
Vote 11 - Housing Services			4 504	822	1 230	1 027	1 151	1 151	1 459	1 597	1 751
11.1 - Housing			4 504	822	1 230	1 027	1 151	1 151	1 459	1 597	1 751
Total Expenditure by Vote		2	45 623	42 526	76 066	148 672	109 513	109 513	120 504	123 999	135 835
Surplus/(Deficit) for the year		2	17 787	49 103	24 701	(33 662)	4 581	4 581	26 150	33 789	35 636

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

EC136 Emalahleni (Ec) - Table A4 Budgeted Financial Performance (revenue and expenditure)

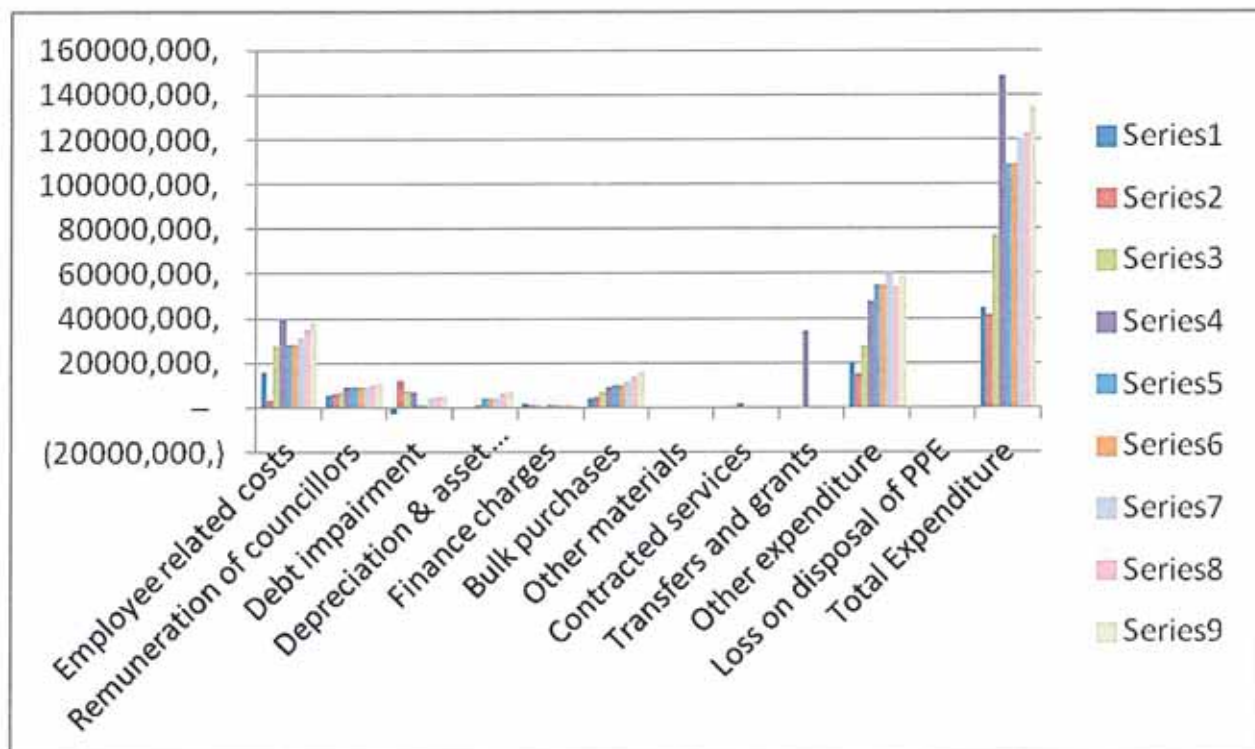
Description		Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source												
Property rates	2		1 961	3 065	1 772	4 763	2 473	2 473	2 473	2 680	2 860	3 060
Property rates - penalties & collection charges			-	-	-	332	-	-	-	-	-	-
Service charges - electricity revenue	2		2 797	3 311	4 982	4 604	5 076	5 076	5 076	5 634	6 559	7 268
Service charges - water revenue	2		-	-	(7)	2 679	2 989	2 989	2 989	2 818	1 563	1 672
Service charges - sanitation revenue	2		-	-	(440)	3 054	4 395	4 395	4 395	431	459	491
Service charges - refuse revenue	2		2 241	2 376	2 364	2 688	2 690	2 690	2 690	2 764	2 941	3 147
Service charges - other			-	-	-	-	-	-	-	5	6	6
Rental of facilities and equipment			509	431	656	815	803	803	803	856	905	968
Interest earned - external investments			3 910	2 387	1 830	2 592	1 265	1 265	1 265	14	14	15
Interest earned - outstanding debtors			1 367	365	2 284	876	5 022	5 022	5 022	2 495	1 509	1 615
Dividends received			10	-	-	-	-	-	-	-	-	-
Fines			1	3	0	11	-	-	-	0	13	14
Licences and permits			-	-	-	1 784	-	-	-	-	-	-
Agency services			186	362	48	25 006	14 917	14 917	14 917	26 859	20 275	22 124
Transfers recognised - operating			41 159	46 465	87 337	65 429	69 814	69 814	69 814	75 541	87 875	98 757
Other revenue	2		178	5 410	556	313	(1 087)	(1 087)	(1 087)	344	981	1 049
Gains on disposal of PPE			-	-	-	64	-	-	-	68	72	77
Total Revenue (excluding capital transfers and contributions)			54 319	64 174	101 382	115 010	108 357	108 357	108 357	120 508	126 030	140 263
Expenditure By Type												
Employee related costs	2		15 859	3 194	27 500	39 469	28 513	28 513	28 513	31 571	34 728	38 201
Remuneration of councillors			5 742	5 934	6 776	8 791	9 409	9 409	9 409	9 257	9 813	10 401
Debt impairment	3		(2 785)	12 360	7 792	6 711	799	799	799	3 801	4 549	4 867
Depreciation & asset impairment	2		-	-	-	679	4 200	4 200	4 200	3 642	5 971	6 671
Finance charges			1 477	47	21	-	26	26	26	133	138	148
Bulk purchases	2		4 114	5 062	7 291	9 179	10 200	10 200	10 200	11 381	13 237	15 769
Other materials	8		-	-	-	-	-	-	-	-	-	-
Contracted services			-	-	-	1 568	-	-	-	-	-	-
Transfers and grants			-	-	-	34 507	-	-	-	-	-	-
Other expenditure	4, 5		20 141	14 945	27 301	47 767	55 108	55 108	55 108	60 720	54 167	58 283
Loss on disposal of PPE			-	-	-	-	-	-	-	-	-	-
Total Expenditure			44 548	41 542	76 681	148 671	108 255	108 255	108 255	120 504	122 602	134 340
Surplus/(Deficit)			9 771	22 632	24 701	(33 661)	101	101	101	4	3 428	5 923
Transfers recognised - capital			8 016	26 470	0	31 217	4 480	4 480	4 480	26 145	30 361	29 712
Contributions recognised - capital			-	-	-	(2 026)	-	-	-	-	-	-
Contributed assets			-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions			17 787	49 103	24 701	(4 470)	4 581	4 581	4 581	26 150	33 789	35 636
Taxation			-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation			17 787	49 103	24 701	(4 470)	4 581	4 581	4 581	26 150	33 789	35 636
Attributable to minorities			-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality			17 787	49 103	24 701	(4 470)	4 581	4 581	4 581	26 150	33 789	35 636
Share of surplus/ (deficit) of associate	7		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year			17 787	49 103	24 701	(4 470)	4 581	4 581	4 581	26 150	33 789	35 636

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, excluding capital transfers, is R120 508 million in 2012/13 and escalates to R140 263 million by 2014/15. This represents a year-on-year increase of 11.2 per cent for the

2012/13 and year-on-year increases of 4.5 per cent for the 2013/14 financial year and 11.2 per cent for the 2014/15 financial year.

2. Revenue to be generated from property rates is R2 680 million in the 2012/13 financial year and increases to R3 060 million by 2014/15 which represents only 2.2 per cent of the operating revenue base (excluding capital transfers) of the Municipality and therefore does not remain a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5.4 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R11 653 million for the 2012/13 financial year and increasing to R12 583 million by 2014/15. For the 2012/13 financial year services charges amount to 9.6 per cent of the total revenue base and stays relatively constant over the MTREF period.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.
5. The following graph illustrates the major expenditure items per type.



Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2012/13 period escalating from R4 114 million to R11 381 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

BRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

EC136 Emalahleni (Ec) - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	450	-	-	-	-	-	-
Vote 4 - Budget and Treasury		793	1 810	-	640	-	-	-	-	-	-
Vote 5 - IPED		-	20	-	20	-	-	-	-	-	-
Vote 6 - Community Services		1 186	3 353	-	557	-	-	-	-	-	-
Vote 7 - Water And Sanitation		-	4 650	-	5 082	-	-	-	-	-	-
Vote 8 - Refuse		7 160	750	-	350	-	-	-	2 000	5 000	-
Vote 9 - Roads Transport		8 418	14 667	-	21 665	-	-	-	1 995	2 499	-
Vote 10 - Electricity		-	810	-	4 480	-	-	-	-	-	-
Vote 11 - Housing Services		-	1 015	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	17 557	27 075	-	33 244	-	-	-	3 995	7 499	-
Single-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive		-	-	-	-	-	-	-	180	170	185
Vote 3 - Corporate Services		-	-	-	-	180	180	180	150	140	120
Vote 4 - Budget and Treasury		-	-	-	-	730	730	730	900	810	740
Vote 5 - IPED		-	-	-	-	-	-	-	75	75	60
Vote 6 - Community Services		-	-	-	-	61	61	61	6 550	140	120
Vote 7 - Water And Sanitation		-	-	-	-	-	-	-	-	-	-
Vote 8 - Refuse		-	-	-	-	550	550	550	-	-	-
Vote 9 - Roads Transport		-	-	-	-	-	-	-	12 100	16 003	24 832
Vote 10 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 11 - Housing Services		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total						1 521	1 521	1 521	19 955	17 338	26 057
Total Capital Expenditure - Vote		17 557	27 075	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057
Capital Expenditure - Standard											
Governance and administration		793	1 810	-	1 090	910	910	910	1 230	1 120	1 045
Executive and council		-	-	-	-	-	-	-	180	170	185
Budget and treasury office		793	1 810	-	640	730	730	730	900	810	740
Corporate services		-	-	-	450	180	180	180	150	140	120
Community and public safety		1 186	4 368	-	557	61	61	61	6 550	140	120
Community and social services		1 186	2 267	-	31	61	61	61	2 850	140	120
Sport and recreation		-	822	-	370	-	-	-	3 700	-	-
Public safety		-	264	-	156	-	-	-	-	-	-
Housing		-	1 015	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		8 418	14 687	-	21 685	-	-	-	14 170	18 576	24 892
Planning and development		-	20	-	20	-	-	-	75	75	60
Road transport		8 418	14 667	-	21 665	-	-	-	14 095	18 501	24 832
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		7 160	6 210	-	9 912	550	550	550	2 000	5 000	-
Electricity		-	810	-	4 480	-	-	-	-	-	-
Water		-	4 650	-	2 800	-	-	-	-	-	-
Waste water management		-	-	-	2 282	-	-	-	-	-	-
Waste management		7 160	750	-	350	550	550	550	2 000	5 000	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	17 557	27 076	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057
Funded by:											
National Government		9 604	14 696	-	26 135	-	-	-	22 145	23 361	24 712
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	4 650	-	5 082	-	-	-	-	-	-
Other transfers and grants		-	968	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	9 604	20 314	-	31 217	-	-	-	22 145	23 361	24 712
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		7 953	6 762	-	2 027	1 521	1 521	1 521	1 805	1 475	1 345
Total Capital Funding	7	17 557	27 076	-	33 244	1 521	1 521	1 521	23 950	24 836	26 057

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses. and is listed above.

MBRR Table A6 - Budgeted Financial Position

EC136 Emalahleni (Ec) - Table A6 Budgeted Financial Position

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
ASSETS											
Current assets											
Cash		48 842	13 848	12 384	—	15 297	15 297	15 297	18 814	24 622	31 037
Call investment deposits	1	876	25 897	6 066	37 885	—	—	—	—	—	—
Consumer debtors	1	8 439	2 286	892	—	920	920	920	1 960	3 649	5 422
Other debtors		27 945	33 427	57 850	—	63 635	63 635	63 635	67 453	74 199	81 619
Current portion of long-term receivables		—	—	—	—	—	—	—	—	—	—
Inventory	2	227	248	248	—	248	248	248	273	300	330
Total current assets		86 329	75 706	77 440	37 885	80 100	80 100	80 100	88 500	102 770	118 407
Non current assets											
Long-term receivables		—	—	—	—	—	—	—	—	—	—
Investments		—	—	—	—	—	—	—	—	—	—
Investment property		—	—	—	—	—	—	—	—	—	—
Investment in Associate		—	—	—	—	—	—	—	—	—	—
Property, plant and equipment	3	76 464	202 810	224 783	—	222 104	222 104	222 104	242 413	261 278	280 665
Agricultural		—	—	—	—	—	—	—	—	—	—
Biological		—	—	—	—	—	—	—	—	—	—
Intangible		250	707	707	—	707	707	707	707	707	707
Other non-current assets		—	—	—	—	—	—	—	—	—	—
Total non current assets		76 714	203 517	225 490	—	222 811	222 811	222 811	243 120	261 985	281 372
TOTAL ASSETS		163 043	279 223	302 931	37 885	302 911	302 911	302 911	331 620	364 755	399 779
LIABILITIES											
Current liabilities											
Bank overdraft	1	—	—	—	—	—	—	—	—	—	—
Borrowing	4	75	104	96	—	—	—	—	—	—	—
Consumer deposits		38	35	35	—	37	37	37	40	43	46
Trade and other payables	4	26 106	19 544	18 491	—	13 200	13 200	13 200	15 540	14 661	13 819
Provisions		9 906	9 792	9 959	—	10 856	10 856	10 856	11 073	11 294	11 520
Total current liabilities		36 125	29 474	28 581	—	24 093	24 093	24 093	26 652	25 998	25 386
Non current liabilities											
Borrowing		199	96	—	—	—	—	—	—	—	—
Provisions		16 536	1 219	1 219	—	1 106	1 106	1 106	1 106	1 106	1 106
Total non current liabilities		16 736	1 314	1 219	—	1 106	1 106	1 106	1 106	1 106	1 106
TOTAL LIABILITIES		52 861	30 789	29 799	—	25 199	25 199	25 199	27 758	27 104	26 492
NET ASSETS	5	110 182	248 435	273 131	37 885	277 713	277 713	277 713	303 862	337 652	373 287
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		110 182	248 435	273 131	—	272 407	272 407	272 407	294 915	322 733	351 698
Reserves	4	—	—	—	—	5 306	5 306	5 306	8 948	14 919	21 589
Minorities' interests		—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	5	110 182	248 435	273 131	—	277 713	277 713	277 713	303 862	337 652	373 287

Explanatory notes to Table A6 - Budgeted Financial Position

1. The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and

- Reserves

- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

MBRR Table A7 - Budgeted Cash Flow Statement

EC136 Emalahleni (Ec) - Table A7 Budgeted Cash Flows

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		3 944	13 205	(2 279)	21 919	26 294	26 294	26 294	37 533	28 127	30 606
Government - operating	1	41 159	43 065	84 468	90 435	69 814	69 814	69 814	75 541	87 875	98 757
Government - capital	1	8 016	26 470	—	31 217	4 480	4 480	4 480	26 145	30 361	29 712
Interest		3 910	2 752	4 114	2 592	6 287	6 287	6 287	2 508	1 524	1 630
Dividends		10	—	—	—	—	—	—	—	—	—
Payments											
Suppliers and employees		(37 939)	31 460	(73 317)	(27 019)	(108 388)	(108 388)	(108 388)	(114 197)	(117 178)	(128 167)
Finance charges		(1 477)	(47)	(21)	—	(26)	(26)	(26)	(133)	(138)	(148)
Transfers and Grants	1	—	—	—	(121 652)	—	—	—	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		17 623	116 905	12 966	(2 508)	(1 539)	(1 539)	(1 539)	27 397	30 570	32 391
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		45	—	—	(64)	—	—	—	68	72	77
Decrease (increase) in non-current debtors		—	—	—	—	—	—	—	—	—	—
Decrease (increase) other non-current receivables		(85)	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments		—	—	—	—	—	—	—	—	—	—
Payments											
Capital assets		(10 662)	(126 803)	(34 157)	—	(1 521)	(1 521)	(1 521)	(23 950)	(24 836)	(26 057)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10 701)	(126 803)	(34 157)	(64)	(1 521)	(1 521)	(1 521)	(23 883)	(24 765)	(25 981)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing		—	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits		—	—	—	—	3	3	3	2	3	3
Payments											
Repayment of borrowing		(84)	(75)	(104)	—	(96)	(96)	(96)	—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		(84)	(75)	(104)	—	(93)	(93)	(93)	2	3	3
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	6 838	(9 973)	(21 295)	(2 572)	(3 153)	(3 153)	(3 153)	3 517	5 808	6 414
Cash/cash equivalents at the year end:	2	42 879	49 718	39 745	40 457	18 450	18 450	18 450	15 297	18 814	24 622
	2	49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037

MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

EC136 Emalahleni (Ec) - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available											
Cash/cash equivalents at the year end	1	49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037
Other current investments > 90 days		0	0	0	—	—	—	—	—	—	—
Non current assets - Investments	1	—	—	—	—	—	—	—	—	—	—
Cash and investments available:		49 718	39 745	18 450	37 885	15 297	15 297	15 297	18 814	24 622	31 037
Application of cash and investments											
Unspent conditional transfers		20 498	17 098	14 292	—	9 000	9 000	9 000	10 920	9 579	8 229
Unspent borrowing		—	—	—	—	—	—	—	—	—	—
Statutory requirements	2	—	—	—	—	—	—	—	—	—	—
Other working capital requirements	3	(12 011)	(28 332)	15 158	—	(41 335)	(41 335)	(41 335)	(53 423)	(52 433)	(58 736)
Other provisions		—	—	—	—	—	—	—	—	—	—
Long term investments committed	4	—	—	—	—	—	—	—	—	—	—
Reserves to be backed by cash/investment	5	—	—	—	—	5 306	5 306	5 306	8 948	14 919	21 589
Total Application of cash and investments:		8 488	(11 234)	29 449	—	(27 029)	(27 029)	(27 029)	(33 556)	(27 936)	(28 917)
Surplus(shortfall)		41 230	50 979	(10 999)	37 885	42 326	42 326	42 326	52 370	52 558	59 954

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget..
3. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
4. Cash and cash equivalents totals R18 814 million as at the end of the 2012/13 financial year and increase to R31 037 million by 2014/15.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is cash-funded and thus in compliance with the requirements of the MFMA.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

MBRR Table A9 - Asset Management

EC136 Emalahleni (Ec) - Table A9 Asset Management

Description	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	17 557	27 076	-	33 244	1 521	1 521	23 950	24 836	26 057
Infrastructure - Road transport		8 418	14 547	-	21 655	-	-	11 950	15 863	24 712
Infrastructure - Electricity		-	400	-	4 480	-	-	-	-	-
Infrastructure - Water		7 160	510	-	2 500	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	882	-	-	-	-	-
Infrastructure - Other		-	-	-	350	-	-	3 995	7 499	-
Infrastructure		15 578	15 457	-	29 867	-	-	15 945	23 361	24 712
Community		1 186	550	-	406	-	-	6 400	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	793	11 069	-	2 971	1 471	1 471	1 455	1 305	1 175
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	50	50	150	170	170
Total Renewal of Existing Assets	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	8 418	14 547	-	21 655	-	-	11 950	15 863	24 712
Infrastructure - Road transport		-	400	-	4 480	-	-	-	-	-
Infrastructure - Electricity		7 160	510	-	2 500	-	-	-	-	-
Infrastructure - Water		-	-	-	882	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	350	-	-	3 995	7 499	-
Infrastructure - Other		15 578	15 457	-	29 867	-	-	15 945	23 361	24 712
Infrastructure		1 186	550	-	406	-	-	6 400	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	793	11 069	-	2 971	1 471	1 471	1 455	1 305	1 175
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	50	50	150	170	170
TOTAL CAPITAL EXPENDITURE - Asset class	2	17 557	27 076	-	33 244	1 521	1 521	23 950	24 836	26 057
ASSET REGISTER SUMMARY - PPE (WDM)	5		62 103	80 568	-	80 568	80 568	92 518	108 381	133 093
Infrastructure - Road transport			21 820	22 724	-	22 724	22 724	22 724	22 724	22 724
Infrastructure - Electricity			-	-	-	-	-	-	-	-
Infrastructure - Water			-	-	-	-	-	-	-	-
Infrastructure - Sanitation			-	-	-	-	-	-	-	-
Infrastructure - Other			-	-	-	-	-	3 995	11 494	11 494
Infrastructure		-	83 923	103 292	-	103 292	103 292	119 237	142 599	167 311
Community			-	-	-	-	-	6 400	-	-
Heritage assets			-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-
Other assets			118 887	121 491	-	122 962	122 962	124 417	124 267	125 442
Agricultural Assets			-	-	-	-	-	-	-	-
Biological assets			-	-	-	-	-	-	-	-
Intangibles		250	707	707	-	707	707	707	707	707
TOTAL ASSET REGISTER SUMMARY - PPE	5	250	203 517	225 490	-	226 961	226 961	250 762	267 573	293 460
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		-	-	-	679	4 200	4 200	3 642	5 971	6 671
Repairs and Maintenance by Asset Class	3	1 725	1 351	2 506	6 162	4 364	4 364	10 832	7 175	7 677
Infrastructure - Road transport		276	211	447	786	720	720	828	873	934
Infrastructure - Electricity		89	68	445	1 033	180	180	701	865	925
Infrastructure - Water		-	-	-	158	400	400	3 422	703	752
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		15	-	-	-	-	-	-	-	-
Infrastructure		380	279	891	1 978	1 300	1 300	4 950	2 440	2 611
Community		89	58	41	497	10	10	394	434	464
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	1 256	1 014	1 574	3 686	3 054	3 054	5 488	4 301	4 602
TOTAL EXPENDITURE OTHER ITEMS		1 725	1 351	2 506	6 841	8 564	8 564	14 474	13 146	14 348

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Portfolio Head Councillor of Financial Services/Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2011.

EMALAHLENI MUNICIPALITY

2012/13 ANNEXURE C

KEY DEADLINES FOR BUDGET PREPARATION SCHEDULE			
Number	Item description	Due Date	Responsible Person
	January 2012		
1	COUNCIL MEETING: Table in a special council meeting the annual report, mid year assessment report, financial statements and audit report & ADJUSTMENT BUDGET	31-Jan	Municipal Manager, Mayor
	February		
2	EXCO / STEERING COMMITTEE MEETING: - review progress and the DRAFT BUDGET.	07-Feb	CFO, Budget Mgr
3	MEETING WITH DIRECTORS AND MANAGERS: Departments to be provided with the SDBIP performance indicators from last year and asked to revise. They should also provide Key service delivery targets in conjunction with	13-Feb	CFO, Budget Mgr

	the IDP office.		
4	COUNCIL MEETING: Table in a special council meeting the adjustments budget for mid-year	27-Feb	Mayor
5	Check with National, Provincial Governments and District Municipality for any adjustments to projected allocations for the next three years.	27-Feb	Budget Mgr
	March		
6	EXCO / STEERING COMMITTEE MEETING: - review progress and DRAFT BUDGET.	06-Mar	CFO, Budget Mgr
7	Final Date for Departments to present SDBIP performance indicators and service delivery targets for 2012/13 for review.	12-Mar	Departments
8	EXCO / STEERING COMMITTEE MEETING: final draft operating and capital budget presented to EXCO committee for review	19-Mar	CFO, Budget Mgr
9	COUNCIL MEETING: Council (after consideration of the 2010/11 Annual Report) to adopt an Oversight Report.	30-Mar	MPAC
10	COUNCIL MEETING: Operating and Capital draft budget and IDP tabled to Council for consultation with the community	30-Mar	Mayor, Finance MEC
11	Submit to National Treasury, Provincial Treasury and the MEC responsible for Local Government the Annual Financial Statements, the 2010/11 audit report and any corrective action taken in response to the findings of the audit report.	30-Mar	Legal & Compliance & Corporate Manager
12	Submit draft budgets in required form to NT, Provincial Treasury	30-Mar	Budget Mgr
	April		
13	Adjustment Budget to EXCO/Budget Steering Adjustment Budget submitted to Council.	11 Apr 13-Apr	CFO Budget Mgr
14	Review Budget with Departments Departments to provide a list of Capital Projects to be rolled over for inclusion in the 2012/13 Budget to the budget office and cash balances forward for grant projects.	19 & 20 -Apr	CFO MM HOD's Departments
	May		
15	Budget Steering Committee and EXCO on Draft Budget & adjustment budget	04 May	CFO
16	Draft Budget Presentation and workshop with Council prepared taking into consideration submissions made during consultation process	15-May	CFO, Budget Mgr
17	IDP & Budget Outreach	17/18/22/23-May	Speaker/Mayor/Exco MM and Strategic Manager, Ward Cllrs & Ward Committees
18	MEETING OF Budget Steering/EXCO : Approval of FINAL operating and capital budget for presentation to the full council – Report on Adjustment Budget	24 May	CFO & Budget Mgr
19	COUNCIL MEETING: Consider Approval of Annual Budget - IDP & Budgets for 2012/13 thru 2014/15 - Mayor's budget address	29-May	Mayor, Finance MEC
	June 2010		
20	The Service Delivery and Budget Implementation Plans (SDBIP) along with the annual performance agreements for the Municipal Manager and all managers directly responsible to the MM (based on the operational plans and IDP) is to be issued to the Mayor.	18-Jun	Municipal Manager
21	Workshop for Finance policies and By laws	Before end of June 2012	CFO/Legal & Compliance

22	Approve annual budget by council resolution, including taxes, tariffs, measurable performance objectives, changes to IDP and Budget related Policies, including service delivery agreements and long term contracts where appropriate. adopt reviewed Finance Policies and Bylaws as proposed	28-Jun	COUNCIL MAYOR/CFO & Legal & Compliance
23	SDBIP & Annual Performance Contracts EXCO TO APPROVE SDBIP AND PERFORMANCE AGREEMENTS within 14 days after receiving them. Draft SDBIP – to Mayor – Final date under legislation 14 July. Draft Annual Performance agreements to Mayor – Final date under legislation 14 July Approve –SDBIP -Final date – 28 July 2012	30 June	MM/MAYOR
24	Submit approved Budget to Provincial, National Treasury and DLGTA	30 June	AO

There were some deviations from the key dates set out in the Budget Time Schedule tabled in Council. However, the schedule attached is the revised one as from time to time adjusted by council and its programmes.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in March 2011 and again by the new Council in May 2012. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58 and 59 has been taken into consideration in the planning and prioritisation process.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial

importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

2012/13 Financial Year	2012/13 MTREF
1. The provision of quality basic services and infrastructure	1. To ensure that cost effective, appropriate and efficient services are delivered (KPA Service delivery)
2. Acceleration of higher and shared economic growth and development	2. To ensure that conditions are created which stimulate the growth of the local economy (KPA LED)
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3. To have an effective and efficient administration (KPA Municipal transformation and Inst.dev.)
4. Fostering participatory democracy and adherence to Emalahleni Municipality principles through a caring, accessible and accountable service	4. To have a transparent and performance driven organisation (KPA Good governance and public participation)
5. Good governance, Financial viability and institutional governance	5. To implement good financial management (KA Financial management and viability)

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. To have a transparent and performance driven organisation
2. To ensure that cost effective, appropriate and efficient services are delivered
3. To ensure that conditions are created which stimulate the growth of the local economy
4. To implement good financial management
5. To have an effective and efficient administration

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

EC136 Emalahleni (Ec) - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

2010/11 Medium Term Revenue & Expenditure Framework													
Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													
Good Governance & Municipal transformation	Public Participation, Co-Operative governance & Corruption, Youth Development,SPU			1 903	1 969	1 231	2 405	20 791	20 791	2 540	2 686	13	
Financial Viability	Clean Audit & Improved revenue collection			36 150	51 271	56 316	71 712	30 258	30 258	75 415	81 503	91 096	
Local Economic Development	Growth,Jobs,Markets,SM ME's,Tourism & Partnerships			5 206	2 163	732	2 252	14 138	14 138	1 743	5 909	10 042	
Service Delivery	Ensure that adequate services are provided			20 152	36 227	42 489	38 641	48 908	48 908	66 957	67 691	70 319	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contribu				1	63 410	91 629	100 787	115 010	114 094	114 094	146 654	157 789	171 470

MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

EC136 Emalahleni (Ec) - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15	
R thousand													
Good Governance & Municipal transformation	Public Participation, Co-Operative governance& Corruption, Youth Dev,SPU			17 468	2 214	26 090	29 991	31 398	31 398	34 480	36 594	39 610	
Financial Viability	Clean Audit & Improved revenue collection			3 213	18 993	16 995	15 045	10 332	10 332	12 213	13 275	14 506	
Local Economic Development	Growth,Jobs,Markets,SM ME's,Tourism & Partnerships			8 602	5 873	8 199	17 596	14 427	14 427	17 071	15 926	17 349	
Service Delivery	Ensure that adequate services are provided			16 340	15 447	24 781	86 041	53 357	53 357	56 740	58 205	64 369	
Allocations to other priorities													
Total Expenditure				1	45 623	42 526	76 066	148 672	109 513	109 513	120 504	123 999	135 835

MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

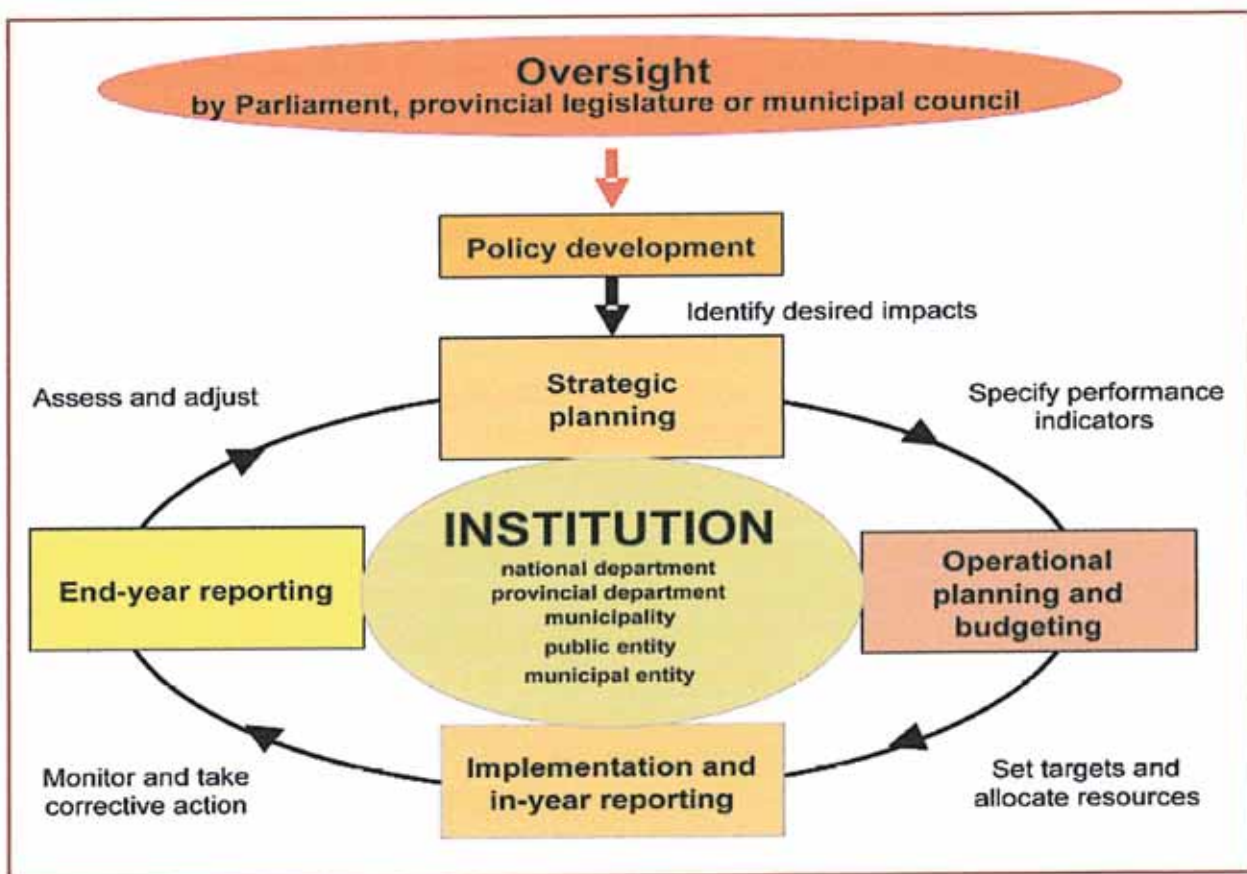
EC136 Emalahleni (Ec) - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Vote 1 - Council										
Function 1 - Council										
Sub-function 1 - (name)										
Insert measure's description										
Sub-function 2 - (name)										
Insert measure's description										
Sub-function 3 - (name)										
Insert measure's description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure's description										
Sub-function 2 - (name)										
Insert measure's description										
Sub-function 3 - (name)										
Insert measure's description										
Vote 2 - Executive										
Function 1 - Executive										
Sub-function 1 - (name)										
Insert measure's description										
Sub-function 2 - (name)										
Insert measure's description										
Sub-function 3 - (name)										
Insert measure's description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure's description										
Sub-function 2 - (name)										
Insert measure's description										
Sub-function 3 - (name)										
Insert measure's description										
Vote 3 - Corporate Services										
Function 1 - Human Resources										
Sub-function 1 - (name)										
Document Control Software	monetary	1 000 000								
Clock-in-system	monetary	150 000	200 000	200 000						
Special Program Unit	monetary	34 000	30 000	30 000	30 000			30 000		
Carports	monetary	120 000								
Filling Cabinets	monetary	15 000	5 000	5 000	5 000			5 000		
Upgrade of Finance Building	monetary	300 000								
Vehicles	monetary	517 000	200 000	200 000	200 000			200 000	200 000	
4 Computers (Community Centres	monetary	50 000	50 000	50 000	50 000	0		50 000	100 000	
Furniture and Office Equipment	monetary	500 000	542 104	500 000	500 000	0		500 000	400 000	
Function 2 - (name)										

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);